

# **STATE BOARD OF FINANCE**

**February 21, 2012**

## **Summary Minutes**

### **Location:**

Via Video conference at the following locations:

Guinn Room  
101 N. Carson Street  
Carson City, NV 89701

Dept. of Personnel's Conference Room  
555 E Washington Avenue, Suite 1400  
Las Vegas, NV 89101

Governor Sandoval called the meeting to order.

### *Board members present:*

Governor Brian Sandoval- Carson City  
Treasurer Kate Marshall- Carson City  
Controller Kim Wallin- Las Vegas  
Steve Martin- Las Vegas  
Dave Funk- phone

Governor Sandoval called the meeting to order at 1:00 P.M.

**Agenda Item 1- Public comment:** There was no public comment.

**Agenda Item 2 - Approval of the Board of Finance meetings minutes held on January 10, 2012.**

Mr. Funk made a motion to approve the minutes for the January 10, 2012 meeting. Mr. Martin seconded the motion. The motion passed 5-0.

**Agenda Item 3 - Discussion and possible action on a resolution approving the report submitted by the Executive Director of the Department of Taxation and the State Permanent School Fund Guarantee Agreement pertaining to the Lyon County School District, Nevada General Obligation (Limited Tax) Improvement and Refunding Bonds, Series 2012A in the maximum aggregate principal amount of \$8,785,000**

Lori Chatwood of Debt Management presented this item. NRS 387 governs the authorization for a guarantee from the Permanent School Fund to different school districts; this allows the school districts to receive the AAA rating of the Permanent School Fund and to have a better marketability to their Bonds as well as interest cost savings. Lyon County is asking for a guarantee in the amount of \$8,785,000. Over \$3 million is for new financing and the other \$5

million is to refund current guaranteed and school district Bonds that are on their books now. Lyon County is anticipating just over \$225,000 in savings by utilizing the Permanent School Fund. If this is guaranteed, Lyon County will also be utilizing the entire \$40 million of authority that Lyon County has under this program.

Dave Funk asked if Lori knew what the maturity and financing costs are for a new Bond right now.

Lori Chatwood stated that Marty Johnson is the financial advisor to the State and to Lyon County. Marty Johnson said the Bonds with Lyon County School District will have more of the maturities in the first 10-12 years but the overall deal will be 20 years. Mr. Johnson used the Bonds with Carson City School District as an example. For the 20 year deal with Carson City School District, they are at a 2.52% overall interest rate, so there are substantial savings and substantially good interest rates.

Mr. Funk asked if the date for February 28, 2012 was a misprint. Ms. Chatwood clarified that it was not a misprint. February 28, 2012 is when Lyon County School District's Board is meeting to approve their resolution.

Controller Wallin made the motion to approve the resolution. Mr. Funk seconded the motion. The motion passed 5-0.

**Agenda Item 4 – Report on State's recent sale of General Obligation (Limited Tax) Bonds, Series 2011A-F.**

Lori Chatwood presented the report to the Board. Agenda item 4 is just an informational item to the Board to inform the Board about successful the sale was. There were five series of bonds issued and there was approximately \$6.3 million in savings. There was initially a maximum par amount over the different series of Bonds of \$344 million. It was anticipated that just over \$200 million would be issued. Due to the market conditions at the time, we ended up going to market just over \$149 million in bonds. That produced just over the \$6.3 million in savings including achieving over a 15 % savings for the Colorado River Commission. The Treasurer's office had its first sale where they offered a retail portion in the sale to the State that was received well. The highest true interest costs on the Bonds were over the 20 year Bond, just over 3.5%. Ms. Chatwood stated she would be happy to go into more detail on any series or Bonds overall.

There were no questions. Governor Sandoval congratulated Ms. Chatwood on her work.

**Agenda Item 5- For possible action- presentation on proposed 2012 State bond sale.**

Lori Chatwood presented this item.

Series 2012A is for the Municipal Bond Bank, which is similar to the Permanent School Fund, is a way in which the municipalities can group their Bond sales together and the State issues its general obligation bond. With the proceeds of that bond, the Treasurer's office then purchases the municipalities securities. In the 2012A, the Treasurer's office is purchasing the securities for

Carson City, Douglas County, and Indian Hills, with the exception of the Carson City's piece for about \$6 million new bonding capacity for their water programs, the rest are for refunding for savings for those entities. There is an estimated \$1.7 million in savings for Carson City, Douglas County and Indian Hills. The three will pay back the State when they get the savings for their own funds.

2012B is a refunding of existing bonds the Treasurer's office has for outstanding affairs and Capital Improvement projects. The State Treasurer's office is asking for a maximum of \$75 million and right now the refunds are looking at approximately \$45 million. That would give the Treasurer's office a present value savings to the State on the series of approximately \$3.5 million at over a 7% interest.

2012C is for natural resource programs. The Treasurer's office is asking for \$40 million and estimating it to be approximately \$20 million in today's market for over a 7% savings at \$1.8 million.

2012D is an Open Space Bond Refunding for the Q1 programs. The Treasurer's is looking at issuing approximately \$4.2 million with a maximum not to exceed of \$10 million, for over 13% savings and \$639,000.

2012E is a Colorado River Commission Bond. This is for informational purposes. The Treasurer's office is looking a maximum of \$20 million with approximately \$17 million for this refunding and over \$1.5 million in savings. The Treasurer's office is looking at approximately \$17.6 million in savings to the State in this program.

There were no questions from Board Members.

Mr. Martin moved to approve Agenda Items 5A-D as presented in the Board packets. Controller Wallin seconded the motion. The motion passed 5-0.

**Agenda Item 6- Receive report on reversions of the unspent bond proceeds to the Bond Interest and Redemption Fund for Fiscal Year 2011**

Lori Chatwood stated that Agenda Item 6 is an informational item. It was submitted to the Board reflecting the amount of funds reverted back to the Bond Interest and Redemption Fund by Public Works as of June 30, 2011.

Treasurer Marshall stated that Agenda Item 6 is a transparency item for the Board to see where that money is going.

There were no questions from Board members.

**Agenda Item 7- For Possible action- discussion and possible action regarding the Local Government Investment Pool (LGIP) Depository Agreement between the State Treasurer and the Tahoe Regional Planning Agency**

Mark Mathers stated that the State operates a local government investment pool, which is managed by the State Treasurer's office. The Board has received a request from the Tahoe Regional Planning Agency to participate in the LGIP. The agency expects to deposit roughly \$3-5 million with the State Treasurer's office. Attached for approval is the depository agreement with TRPA.

Governor Sandoval asked what was the genesis was and if they approached the Board to seek a greater return from what they are getting now. Mr. Mathers answered that local governments can invest themselves or in the case of TRPA, they are also invested in California's LGIP and this case TRPA approached the Nevada State Treasurer's office wanting to diversify their holdings and achieve higher earnings with this office.

There were no questions from the Board members

Mr. Funk made a motion to approve the depository agreement with the TRPA. Mr. Martin seconded the motion. The motion passed 5-0.

**Agenda Item 8- Receive update on Lehman Brothers Holding Inc. (LBHI) bankruptcy and amortization of LBHI binds for the apportionment of interest to State funds.**

Mark Mathers state that this item was the last informational item and that this item concerns the amortization of the State's Lehman Brothers holdings. The State owns \$50.88 million of Lehman bonds. The State Treasurer's office had been amortizing the expected loss on those bonds over a multiyear period. Originally a 4½ year period was used and originally the assumption was the State would get back 20%. Based on the bankruptcy plan that was submitted and approved by a bankruptcy judge last year, the State is now expecting a recovery rate in the rage from 30-33 cents on the dollar for those holdings. The State's intention is to adjust the amortizations schedule to write down less from funds based on that higher recovery rate.

Mr. Funk asked if Mr. Mathers had a sense on what the timing the approval will be on the dollar return. Mr. Mathers answered that there are some legal machinations that still need to go forward but based on the analysis, the State will see the money come back within the next 2-3 years. However, the firms the State has talked to have made the point that as Lehman assets are liquidated, there may be a trickle of money after the 3 year anniversary date, nothing too substantial but the State could potentially get money back as far as 10 years from now.

Governor Sandoval asked, if given the resolution by the bankruptcy court, is this as good as it is going to be like? Mr. Mathers answered that yes, it is as good as it's going to be, 99% of creditors approved the bankruptcy plan.

Treasurer Marshall added that the Board would probably recall that the Board took action to terminate a contract with Lehman Brothers commercial bank and that this is still in litigation which could result in additional monies.

There were no more questions.

**Agenda Item 9- Public Comment**

There were no additional Board comments or public comment.

There being no further business, Treasurer Marshall made a motion to adjourn, and Mr. Martin seconded the motion. The meeting was adjourned at 1:22 PM.